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October 12, 2010

Dear Client,

Greetings! Enclosed, please find your Third quarter performance report.

Why Warren Buffett is optimistic

"I'm a huge bull on this country ... we won't have a double dip recession. I see our businesses coming back almost across the board"

Warren Buffett, September 13, 2010

This quote sort of sets the tone for this letter as we look to share thoughts on today's economic outlook by looking beyond the headlines and to bring you up to speed on stock markets. Let's begin with a short summary of stock market performance in 2010 to date.

Markets in the last three months saw a continuation of the roller-coaster like turbulence of the past couple of years. After a strong first quarter and a big pullback in the second quarter, July saw a strong recovery in global markets. This was followed by weak performance in August....and September, which has historically been a troublesome month for markets, saw a big bounce back - the U.S. market experienced its best September since 1939. As a whole, global markets were up 9% for the third quarter and are up 2% in 2010 to date. Here's how markets have performed in the last quarter and so far this year:

	U.S.	Europe	Emerging markets	World stock market
July	+7.0%	+5.9%	+6.2%	+5.8%
Aug	(- 4.4%)	(-2.1%)	(-1.4%)	(-3.3%)
Sept	+ 9.1%	+5.3%	+7.7%	+7.0%
July to Sept	+11.5%	+9.1%	+12.9%	+9.4%
2010 to date	+4.0%	+2.3%	+8.2%	+2.0%

The importance of a balanced perspective

One of the keys to success for investors is maintaining emotional equilibrium – preventing the highs from being too high and the lows from being too low. Today, many Americans are pessimistic about the United States and global economies ... driven by daunting headlines heralding slow economic growth, depressed housing prices, high unemployment and deficit problems in the U.S. and Europe, not to mention political discord in Washington. This pessimism is amplified by the media coverage given to voices of gloom such as Nouriel Roubini. As a result, it's easy to miss some of the good news beyond the headlines.

Fee Only Investment Management and Financial Planning

The Big Sky Conference (not the Athletic Conference!): Looking past short-term issues

For these reasons, we'd like to highlight a conference that took place mid-September here in Montana, as it provided some offsetting perspective on the mid- and long-term positives for the United States and Global economies. Speaking to 2,000 business and political leaders at "*The Big Sky Conference*" in Billings, MT, here are comments from Warren Buffett, Steve Ballmer of Microsoft and GE's Jeff Immelt.

Warren Buffett:

"I'm a huge bull on this country... we won't have a double dip recession. I see our businesses coming back almost across the board...it's night and day from a year ago."

"I've seen sentiment turn sour in the last three months or so, generally in the media. I don't see that in our businesses. I see we're employing more people than a month ago, two months ago."

"The things that worked for the country through a century of two world wars, a depression and more — all while increasing the standard of living — will work again."

Steve Ballmer, Microsoft:

"There soon will be more technological advancement and invention than there was during the Internet era and that will help drive business growth."

"I am very enthusiastic what the future holds for our industry and what our industry will mean for growth in other industries."

"We will see new technologies that move beyond the Internet to tie together computers, phones, televisions and data centers to create amazing new products. And the pace of innovation will increase as technology makes workers more productive."

Jeff Immelt, GE:

"Angry political rhetoric is not helpful and headlines are too focused on finding negative indicators."

"Business at GE is improving. Signs across the world show growth improving as evidenced by a rise in GE's orders."

"GE is now finding it profitable to build manufacturing and service centers in the United States rather than overseas, because it is more competitive to do so."

The path ahead

These positive views are supported by recent research from McKinsey & Company, today's leading strategy consulting firm and the first place many Fortune 500 CEOs look for advice. McKinsey surveyed 2,000 executives around the world in early September, obtaining the following feedback:

Almost 60% said their country's economy is in recovery.
Most expect profits to rise from last year.
And nearly 40% expect to hire employees by the end of 2010.

It's not realistic to suggest there won't be challenges ahead, both for global economies and stock markets. As well, given the fragile market psychology, it's entirely possible that we'll see a market correction in the next 12 months. At the same time, however, it's our job to look at a broad range of credible points of view, not just those who shout the loudest or take the most extreme positions ... and in doing that, we believe it's important to pay attention to the encouraging perspectives from business leaders on the front lines.

Pessimism in general has clouded that fact that the economy continues to improve, evidenced by the fact that our client portfolios are making their way back to pre-crisis levels, this time supported equity market valuations that are more in line with historical norms. And, given the likely rise in profits reflected in the comments from Warren Buffett, Steve Ballmer and Jeff Immelt, as well as the information provided by the

above McKinsey research, we believe today's pessimism is overdone and remain positive on the long-term outlook for the global economy. That said, we are recommending that all clients have at least their full target allocation to equities, reflecting their own personal situations and strategies.

Many of our clients are already well positioned to benefit from rising profits. In other cases, however, concerns about the economy have caused investors to make large allocations to cash and bonds. If you're in that category and we have not already discussed this with you, we will be in touch the next few weeks to set up a time to talk.

Before we sign off.....

Continuing to keep things positive we have a couple of quick items to mention. First, we want to welcome Sara Miller to our team. Sara is currently working part-time in an Administrative capacity and started with us in July. As well, she graduated with a Business Degree from Dickinson State University and has over eight years experience in the financial services industry, most recently working with Wells Fargo Bank here in Bozeman. She is a great addition to the firm and we are excited to have her on board.

We also want to make a quick mention that we will be sending out a message regarding Roth IRA conversions for 2010. While this may or may not pertain to your situation (and without going into detail), we will be reviewing individual client situations to determine whether or not it makes sense - please keep an eye out for this in the next couple of weeks.

As always, we are appreciative for the opportunity to work with you and should you have any questions on this information, or any other matter, we are always happy to take your calls.

Sincerely



Douglas M. Babcock



Robert M. Frey

P.S. Should you be interested in reading more about the Montana conference, let us know and we will either send you links or hard copies of two articles we have on file.